

Chicago Transit Board
October 18, 2006

Thank you Chairman Brown.

Good afternoon.

Last Thursday, I released my tenth budget recommendation since coming to the CTA in 1997.

As this Board is well aware, for the past decade, CTA's fundamental challenge has been to grow ridership and expand service for our customers even while our inflation-adjusted public funding has continued to decline under a 1983 state law.

Current funding resources are insufficient just to maintain transit operations in the future, let alone increase service.

The status quo is not an option if we are serious about sustaining economic growth and fighting traffic congestion.

The good news is that the RTA has recognized the need to change course and has been leading the effort to build consensus in the region for improved and expanded public transit.

In recognition of that effort, and to adhere to the funding marks RTA adopted for the CTA in September, my budget recommendation anticipates that new funding sources will be identified in 2007 and will enable the CTA to maintain service and fares at their current levels.

My recommendations reflect CTA's ongoing efforts to work smarter, cut expenses and seek innovative revenue sources.

But even with these efforts, \$580.5 million in public funding is needed for operations and to meet retiree pension and healthcare liabilities growing through an arbitration award and under state law.

At present, only \$470.3 million has been identified. If no additional funding is obtained, CTA will be required to take actions to balance its operating budget during 2007.

RTA Chairman Jim Reilly has expressed confidence, however, that a solution will be found and I personally share his confidence.

While we wait for a long-term solution, we have worked to preserve service in an increasingly difficult financial environment with escalating fuel, security, healthcare and benefit expenses. To do so, we have had to take various short-term, unsustainable measures with their own consequences.

For example, over the past two years, we have delayed infrastructure improvements by reluctantly diverting \$60 million from capital projects to fill operating budget gaps - on top of not receiving over \$350 million in state capital funding after Illinois FIRST expired.

CTA has also increased operating revenues by raising cash fares twice, from \$1.50 to \$1.75 and then to \$2.00, a 33-percent jump since 2003. Fare increases of this magnitude cannot continue indefinitely without driving people away from transit.

We are also always working to improve efficiency. Since 1997, we have pursued major efficiency initiatives that cumulatively have saved over \$1 billion. Based on recommendations made through a recent independent review of CTA by AECOM Consult, CTA is taking further steps to be even more cost effective.

In addition to our operating needs, CTA also faces a severe capital funding shortfall that threatens the ability to reach a state of good repair.

In just the past two years, CTA's capital budget has been slashed by over \$400 million. Not only has capital money been used to cover operating budget shortfalls, but new state capital funding for transit has also stopped with the expiration of Illinois FIRST.

This state legislation, which funded transit, roads and other infrastructure improvements, had provided as much as \$176 million annually for critical CTA capital projects.

Capital funding shortfalls have resulted in deferred maintenance, delays in infrastructure improvements, and difficulty in planning, financing and implementing multi-year projects. While Illinois FIRST funding for transit has ended, dedicated state funding for roads has continued to flow. Following a rigorous 18-month assessment, the CTA estimates that an \$8 billion capital investment is needed in the next five years in order to continue to provide safe and reliable service and meet growing transit needs. Including all planned rail line extensions would increase the figure to more than \$10 billion.

Based on available funding, the proposed five-year Capital Improvement Plan totals \$2.7 billion with \$1 billion programmed for vital system expansion, including completing the Brown Line capacity expansion project; and the other \$1.7 billion in projects to renew CTA assets, replace the fleet and bring the system to a state of good repair.

Last week, this Board approved a bond issuance which is vital to fund the capital program.

Unlike the past two years, the proposed program does not divert scarce capital funds to balance the operating budget. With the loss of Illinois FIRST, the CTA's capital program is shrinking and cannot continue to be used to shore up an increasing operating deficit.

The region cannot afford to take transit for granted – after all, the CTA alone is a system whose weekday ridership still exceeds the population of all but four U.S. cities.

With proper funding, CTA could advance more rapidly toward a state of good repair, accelerating the renovation of century-old rail lines, replacement of worn-out buses and trains, and refurbishment of maintenance facilities.

Service frequency and hours of operation could expand to tap new markets, relieve overcrowding, and increase transit's competitiveness with the automobile.

So what is the bottom line for the 2007 budget? It is that transit is at a crossroads.

A healthy transit system curbs traffic congestion and pollution while improving mobility, economic competitiveness and the quality of life for everyone. With more funding, the CTA and our sister agencies will be able to do more and ridership will grow. Without it, the current system cannot be maintained and will have to shrink.

We expect to know the answer in 2007. By working together and addressing the funding challenge on a regional, bipartisan basis, I am confident that the region will choose the right path.

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As I have stated repeatedly, continued investment in CTA's fleet and facilities is crucial.

In 1998, CTA had funding to cover just 19 percent of its capital needs.

Through the Illinois FIRST program, in 2004 CTA had capital funds available to cover nearly 60 percent of its need.

The CTA received approximately \$1 billion over five years in Illinois FIRST funding designated for capital improvements to its rail and bus system.

To demonstrate its ability to efficiently administer this level of funding, CTA set a goal to obligate 80 percent of these funds, and spend 50 percent on infrastructure improvements over a five-year period. As of December 31, 2004, CTA exceeded these goals by expending 64.2 percent of Illinois FIRST funds and obligating 81.5 percent.

Securing capital funding is only half the battle. How to use it in the time allotted and deliver results requires a great deal of planning and coordination. By surpassing these 80/50 goals, CTA has proven its ability to fully leverage and effectively manage funding of this magnitude and is in a position to justify additional federal and state funding to continue the long-term goal of bringing CTA's infrastructure to a state of good repair.

Illinois FIRST funding has contributed to large-scale infrastructure improvements such as the successful rehabilitation of the 54th/Cermak branch of the Blue Line, new bus purchases to upgrade the fleet, capacity expansion on the Brown Line and rehabilitation of the Dan Ryan branch of the Red Line.

Funding from Illinois FIRST has not only supported capital improvement projects, but has helped the CTA secure additional federal funding by providing the necessary state funding match.

Capital improvements provide significant benefits to our customers. In addition, quality, affordable transit helps revitalize neighborhoods, drives the entire region's economic growth, reduces traffic congestion and improves air quality.

More and more people are riding the CTA, demonstrating that investment in transit attracts customers. We must continue to invest in our system so that it can meet their increased demand and provide a convenient, affordable option to driving.

As always, I look forward to working with this Board in its consideration of my recommendations as it decides on the budget for the coming year.

And on that note, I will continue with an update on work at Clark Junction.

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Work continues throughout the Clark Junction corridor to upgrade the signal system and install additional crossovers. Currently crews are replacing nearly a dozen switches that had been installed but were not performing satisfactorily on the elevated track.

Crews will continue to test the performance of the replacement switches, as well as those that have already been installed to determine if additional replacements are necessary.

The investment in Clark Junction will improve options for the upcoming three-track operation.

Next year the Purple Express, Brown and Red Line trains will lose one of the four tracks throughout the Clark Junction corridor due to construction at the Belmont and Fullerton stations.

Because elevators will be installed at Belmont and Fullerton to make the stations accessible to customers with disabilities, the tracks along the platforms need to be realigned to allow room for the elevators.

The operational improvements made throughout Clark Junction will allow both the Belmont and Fullerton stations to remain open throughout construction and help CTA to better manage rail service during three-track operation.

Once CTA is satisfied that the newly installed signal system is properly configured to manage the volume of train traffic and that operational staff are prepared to coordinate traffic through the reconfigured junction, three-track operation will begin, continuing until the Brown Line capacity expansion project is completed in 2009.

For CTA, providing rail service with 25 percent less track capacity will present significant challenges.

For customers it will mean slower service on the Red, Brown and Purple Line Express trains as they travel through the corridor bounded by the Brown Line Southport station, the Red Line Addison station and the Brown Line Armitage station.

Currently CTA rail operations and planning staff are developing recommendations for service throughout the corridor with the constraints of three-track operation, however, it is important to keep in mind that losing one track will increase travel times regardless of the adjustments that will be made.

Continued investment in the system is critical to maintaining the current level of service and being able to improve service in the future.

We appreciate the continued patience of our customers as we work to upgrade the system while maintaining service.

Work is also moving ahead on the connecting tunnel to be built between the Red and Blue Line subways following last month's approval of the construction contract.

This coming Monday, October 23, the Red Line's Washington station and pedestrian transfer tunnel between the Red and Blue Lines will close for construction of the connection tunnel.

During construction over the next two years, customers will continue to have access to the State Street subway using the Lake station one block north of Washington or the Monroe station one block south of Washington.

Red Line trains will continue normal operation through the State Street subway with the exception of bypassing the Washington station.

As construction schedules are finalized, CTA will provide service information to customers in advance via flyers, Customer Alerts posted at stations and on trains, through press releases and on the CTA web site at [transitchicago.com](https://www.transitchicago.com).

The construction work will result in a tunnel connecting the Red and Blue Line subway tracks which will help improve rail service for customers by increasing options to coordinate train traffic in both subway systems.

And now, as is customary, I have an update for the Board on ridership.

In August, 42.1 million rides were provided during the month, an increase of 0.2 percent compared to August 2005.

Systemwide, ridership in August decreased by 0.3 percent on weekdays, Saturdays increased by 2.9 percent and Sundays increased by 2.1 percent.

The bus system provided 24.7 million rides in August 2006, a 3.2 percent decrease from last year.

Weekdays were down 3.3 percent; Saturdays were down 1.9 percent and Sundays were down 3.2 percent.

On a promising note, however, ridership has increased on the 13 new and reconfigured bus routes introduced on June 18 as part of the West Side/Near West Suburban service enhancements. We will continue to monitor the performance of these routes as the experimental service continues.

On the year, the bus system is down 1.7%.

The rail system provided 17 million rides in July, an increase of 6.8 percent over last year. Weekdays were up 5.5 percent, Saturdays were up 12.4 percent and Sundays were up 13.7 percent.

On the year, the rail system is up 6 percent.

Year-to-date, CTA has provided 327.3 million rides, an increase of 1.1 percent compared to 2005.

We remain focused on our goal of posting ridership increases in eight of the past nine years and we will continue our efforts to increase ridership by providing service for our customers that is on time, clean, safe and friendly.

In closing, as always, I thank the Board for supporting CTA's mission of delivering quality, affordable transit services that link people, jobs and communities.

I thank you and this concludes my report.

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